

CALIFORNIA'S FAIRS:
STRIKING GOLD
AT THE
SAN FERNANDO VALLEY FAIR

Governor Gray Davis, State of California
California Department of Food and Agriculture
Division of Fairs and Expositions

KPMG LLP
Economic Consulting Services
2003

ECONOMIC IMPACTS: AT THE ASSAYER'S OFFICE

Overall impact on the county of spending by all participants at the fair resulted in \$1,332,181, created 10 jobs and generated \$343,721 in personal income for residents of Los Angeles County, California.ⁱ

Economic impacts presented in this report are local in nature and are for Los Angeles County only. Economic impacts presented in *Fairs: Exploring a California Gold Mine* are for the state of California. Since the impact areas of the two studies are different, the results are not directly comparable.

Fair organizational impacts are summarized in Table 1, which includes ripple effects but excludes direct spending by attendees.ⁱⁱ Direct attendee spending is excluded so that economic impacts produced solely by the fair organization can be examined.

Table 1

Total Economic Impacts – San Fernando Valley Fair

Spending by Fair Organization	\$697,590
Personal Income Generated	\$262,813
Local Taxes Generated	\$2,417
Employment (FTE Jobs) Created	8

AGRICULTURE: THE GOLD NUGGET OF THE FAIR

Junior Livestock Program

The fair's junior livestock auctions grossed \$60,848, with 134 animals purchased by 70 buyers in 2002. Approximately 95 percent of auction proceeds go directly to the students. They typically save this money for college, or reinvest in agriculture by purchasing additional animals. Thus, the junior livestock program provides young community members with a valuable business lesson and funding for future goals.

Judged Exhibits

During the 2002 season, the fair judged 311 exhibits, resulting in \$892 in premiums paid to fair participants. Of this total, the fair judged 178 agricultural exhibits, including FFA and 4-H exhibits, floricultural exhibits, and horticultural exhibits. This variety of exhibits demonstrates the fair's success in providing agricultural programming that both entertains and educates the public.

PROVIDING SERVICES TO A GOLDEN INDUSTRY

Carnival Economic Impacts

Total economic impacts on the county associated with the midway are summarized in Table 2. Impacts in this table include carnival spending ripple effects.ⁱⁱⁱ The carnival spent \$5,090 in the county, and attendees at the fair spent \$37,612 on carnival rides and games.

Table 2

Total Economic Impacts – Carnival

Spending	\$5,090
Personal Income Generated	\$1,463
Local Taxes Generated	\$17
Employment (FTE Jobs) Created	0

Concessionaire Economic Impacts

The fairgrounds are served by a variety of food and beverage concessionaires during the fair. Table 3 presents a summary of economic impacts on the county from these food and beverage concessionaires. With the exception of attendee spending and taxes, data summarized in this table includes ripple effects.

Table 3

Total Economic Impacts – Food and Beverage Concessionaires

Attendee Food and Beverage Direct Spending	\$56,967
Spending by Fairtime and Master Concessionaires	\$40,538
Personal Income Generated	\$20,004
Local Taxes Generated by Attendee Spending	\$1,282
Local Taxes Generated by Concessionaire Spending	\$501
Employment (FTE Jobs) Created	0

Commercial Exhibitor Economic Impacts

Economic impacts of commercial exhibitors are sizeable. Commercial exhibitors purchase goods for resale, exhibit materials, hire local labor, stay in hotels, and eat in restaurants. Table 5 summarizes the total economic impacts of commercial exhibitors on the county. With the exception of attendee spending and taxes, data summarized in this table includes ripple effects.

Table 4

Total Economic Impacts – Commercial Exhibitors

Attendee Direct Spending on Commercial Merchandise	\$153,156
Spending by Commercial Exhibitors	\$75,446
Personal Income Generated	\$25,054
Local Taxes Generated by Attendee Spending	\$3,446
Local Taxes Generated by Commercial Exhibitor Spending	\$1,086
Employment (FTE Jobs) Created	1

Combined economic impact of spending by commercial exhibitors plus attendee spending on commercial merchandise generated \$228,602. It represents 17 percent of total economic impact in the county of \$1,332,181.

Entertainer Economic Impacts

Entertainers purchase costumes and materials, sound and lighting equipment, hire local labor, stay in hotels, and eat in restaurants. Economic impacts of entertainers on the county are summarized in Table 5. With the exception of attendee spending and taxes, data summarized in this table includes ripple effects.

Table 5**Total Economic Impacts – Entertainers**

Spending by Entertainers	\$26,064
Personal Income Generated	\$21,275
Local Taxes Generated	\$330
Employment (FTE Jobs) Created	0

COMMUNITY GROUPS: MINING FOR GOLD AT THE FAIR

Nonprofit Fundraising

Numerous groups engage in socially beneficial fundraising activities at the fair. Table 7 provides estimates of funds raised by nonprofit groups through concessions and other activities.

Table 6

Fundraising Activities at the the San Fernando Valley Fairgrounds, 2002

Type of Activity	Net Amount Raised for Community Benefits
Junior Livestock Auction	\$60,848

ATTENDEES: A GOLDEN TREASURE FOR THE FAIR

The fair draws people and the various communities comprising the county together. Table 7 provides a comparison, in terms of county population and annual fairground attendance. This table demonstrates the importance of the fair within the county – with attendance at roughly 0 percent of the county population.

Table 7

Comparison of Attendance to Population

	County Population/1	Annual Fairground Attendance
San Fernando Valley Fair	9,802,800	22,150

1/ California Department of Finance, *California County Profiles*.

Attendee Demographics and Visit Characteristics

Table 8 compares the household income of fairgoers, based on a random survey of attendees, to that of Californians as a whole. This data demonstrates the economically diverse population served by the fair.

Table 8

Household Income of Fair Attendees

Household Income	Fair Attendee Percentage	California Household Percentage/1
Under \$25,000	12.0%	24.6%
\$25,000 to \$50,000	28.6%	26.4%
\$50,000 to \$75,000	28.0%	18.8%
Over \$75,000	23.4%	30.2%
No Response	8.0%	--

1/ U.S. Census Bureau, *2001 Supplementary Survey Profile, California*.

Table 9 presents additional demographic information on fair attendees. The average visitor attends the fair 2.1 times per year and lives within 100 miles.

Table 9

Attendee Survey, Visit Characteristics

Number of Times Attended Fair

1-3 times	83.4%
More than 3 times	16.6%
Average Attendance Frequency	2.1 Visits

Round Trip Mileage of Trip to Fair

Under 100 miles	88.9%
Over 100 miles	11.1%
Median mileage	51.8 Miles

ECONOMIC IMPACTS: AT THE ASSAYER'S OFFICE

Direct Spending and Employment

KPMG engaged in an extensive data collection effort to acquire information on direct spending and employment of the various economic actors in the fair industry and at the fairgrounds.

Details on concepts, data sources, data limitations, and methods and assumptions appear in the statewide impact study titled *Fairs: Exploring a California Gold Mine*.

Fair Organization

The fair organization pays employees, and spends on capital improvements, maintenance, exhibits, entertainers and publicity. Table 10 provides annual totals and percentages for the fair organization by type of spending. It should be noted that the table solely reflects direct spending.

Table 11 shows direct employment (headcount) of permanent and temporary workers of the fair organization on an annual basis. The striking feature of the fair employment profile is a heavy reliance on temporary workers.

Table 10

Fair Organization Direct Spending

Category	Annual	Percent of Total
Compensation – Permanent Employees	\$0	0.0%
Compensation – Temporary Employees	\$60,014	13.2%
Non-labor Administration	\$164,628	36.1%
Non-labor Maintenance	\$8,781	1.9%
Capital Expenditures	\$15,909	3.5%
Entertainers	\$27,638	6.1%
Exhibits	\$25,085	5.5%
Premiums	\$1,744	0.4%
Publicity	\$42,113	9.2%
Other	\$109,847	24.1%
Total	\$455,759	100.0%

Table 11

Fair Organization Direct Employment

Category	Annual	Percent of Total
Temporary Employees	55	100.0%
Permanent Employees	0	0.0%
Total	55	100.0%

Attendees

Fair attendees pay for admissions and parking, carnival rides and games, and food and beverage concessions. They make purchases from commercial exhibitors, pay for outside meals and

hotels, and also spend on exhibit preparation and costumes when participating in judged activities. Table 12 provides estimates of direct attendee spending by category.

Table 12

Attendee Direct Spending

Category	Total
Commercial Exhibitors	\$153,156
Concessions	\$56,967
Admissions	\$58,600
Offsite Dining and Hotel	\$32,933
Carnival	\$37,612
Exhibit Preparation and Other Retail	\$41,433
Parking	\$13,047
Junior Livestock Auction	\$60,848
Total	\$454,596

Thus, the fair is are a powerful economic engine harnessed by the fair organization.

Fair-Related Businesses

Fair-related businesses pay employee compensation as well as employee food and lodging. They rent fair space; pay taxes; buy insurance, permits, motor fuel and a wide variety of other materials and supplies. The following tables display estimated spending by category for carnivals, concessionaires, commercial exhibitors and entertainers.

It should be noted that these tables display estimated direct spending by fair-related businesses in the county only. Also, this report treats fair organization and allied businesses as one industry, therefore any commission or fee paid to the fair is excluded from these tables to avoid double counting.

Table 13 details overall direct carnival spending within the county. This number is not higher because the majority of the carnival's expenditures occur outside the county. An insurance policy purchased in Los Angeles, for example, would not be included. This is also true for capital expenditures on trucks and rides. Employee expenditures by the carnival are predominantly on permanent employees that travel with the carnival and do not reside in the county. Only the wages and salaries on local, temporary labor are included here as these hires have net new economic impact on the county.

Concessionaire and commercial exhibitor direct spending is detailed in Table 14 and Table 15. Direct spending of entertainers is detailed in Table 16. Permanent and temporary employee hiring by fair-related businesses then follows. As the tables in this section demonstrate, the common thread of expenditure patterns for fair-related businesses is the high percentage of labor costs.

Table 13**Carnival Direct Spending**

Category	Annual	Percent of Total
Compensation – Permanent	\$729	20.1%
Compensation – Temporary	\$23	0.6%
Misc. Materials and Supplies	\$920	25.3%
Motor Fuel	\$459	12.6%
Offsite Dining and Hotel	\$21	0.6%
Taxes and Fees	\$16	0.4%
Other	\$1,467	40.4%
Total	\$3,635	100.0%

Table 14**Concessionaire Direct Spending**

Category	Total	Percent of Total
Compensation – Permanent	\$9,856	33.0%
Compensation – Temporary	\$3,513	11.8%
Cost of Goods Sold	\$13,400	44.8%
Offsite Dining and Hotel	\$1,168	3.9%
Taxes and Fees	\$219	0.7%
Other	\$1,729	5.8%
Total	\$29,885	100.0%

Table 15**Commercial Exhibitor Direct Spending**

Category	Total	Percent of Total
Compensation – Permanent	\$3,383	6.4%
Compensation – Temporary	\$10,245	19.2%
Cost of Goods Sold	\$20,855	39.2%
Misc. Materials and Supplies	\$917	1.7%
Motor Fuel	\$784	1.5%
Offsite Dining and Hotel	\$10,630	20.0%
Taxes and Fees	\$132	0.2%
Other	\$6,318	11.8%
Total	\$53,264	100.0%

Table 16**Entertainer Direct Spending**

Category	Annual	Percent of Total
Compensation – Permanent	\$11,000	52.9%
Compensation – Temporary	\$5,407	26.0%
Misc. Materials and Supplies	\$324	1.6%
Motor Fuel	\$533	2.6%
Offsite Dining and Hotel	\$2,596	12.5%
Other	\$947	4.4%
Total	\$20,807	100.0%

Table 17**Fair-Related Business Direct Employment**

Category	Annual (FTE Jobs)	Percent of Total
Commercial Exhibitors	0.43	42.8%
Concessionaire	0.26	25.9%
Carnival	0.10	10.5%
Entertainers	0.21	20.8%
Total	1	100.0%

Economic Impacts

Table 18 presents the overall economic impact of spending by all participants, which equals the total economic impact on the county of \$1,332,181 in 2002. Estimated total economic impacts from fairtime activities are \$1,332,181. The fairtime spending impact of the fair organization totals \$830,084. Fairtime spending impact of commercial exhibitors and food and beverage concessionaires totals \$228,602 and \$97,505, respectively.

Table 19 shows total impact on the income of county residents. Estimated total income generated by attendee, fair organization and fair-related business spending totaled \$343,721, with \$157,618 in direct income and another \$186,103 in ripple effect. The fair organization is an important contributor of income creation, accounting for 76.5 percent of total income impact.

The estimated creation of jobs, including direct and ripple effects appears in Table 20. The fair created 100.0 percent of all jobs. Fairtime commercial exhibitors and fairtime food and beverage concessionaires created 0.0 percent and 0.0 percent of all jobs, respectively.

Spending, income and jobs created by the fair organization also created tax revenues for local governments. Table 21 details total tax collections by the economic participants. Total direct taxes collected by local governments from the fair were \$8,223. In combination with ripple effect tax impacts of an additional \$3,161, local governments collected an estimated \$11,384 in tax revenues in 2002.

Local sales taxes collections totaled \$8,959, transient occupancy tax collections totaled \$2,072 and possessory interest and other tax collections totaled \$353. These tax collections demonstrate the importance of the fair as a strong and reliable tax base.

Table 18

Estimated Economic Impacts – Fairtime Spending/1

Category	Attendee Direct Spending	Business Direct Spending Impacts/2	Indirect and Induced	Total/3
<u>Fairtime Spending</u>				
Fair Organization	\$132,495	\$455,759	\$241,830	\$830,084
Commercial Exhibitors	\$153,156	\$53,264	\$22,182	\$228,602
Food and Beverage	\$56,967	\$29,885	\$10,653	\$97,505
Carnival	\$37,612	\$3,635	\$1,455	\$42,702
Entertainers	0	\$20,807	\$5,257	\$26,064
Nonprofit	0	\$0	\$0	\$0
Offsite Hotel and Dining	\$32,933	0	\$16,267	\$49,200
Offsite Retail	\$41,433	0	\$16,591	\$58,024
Total Fairtime	\$454,596	\$563,350	\$314,235	\$1,332,181

1/ This table incorporates direct expenditures as detailed in Table 10 through Table 17, along with estimated additional indirect and induced expenditures from the economic impact model.

2/ Indirect impacts are those second and later rounds of business spending that occur throughout the supply chain. Induced impacts are a result of personal consumption expenditures by employees of the fair organization and suppliers.

3/ Total impacts are the sum of direct, indirect and induced impacts.

Table 19

Annual Estimated Income Impacts

Category	Direct Income	Indirect and Induced Impacts	Total	Percent of Total
Fair Organization	\$113,462	\$149,351	\$262,813	76.5%
Commercial Exhibitors	\$13,627	\$11,427	\$25,054	7.3%
Food and Beverage	\$13,369	\$6,636	\$20,005	5.8%
Carnival	\$752	\$711	\$1,463	0.4%
Entertainers	\$16,408	\$4,868	\$21,276	6.2%
Nonprofit	0	\$0	\$0	0.0%
Offsite Hotel, Dining, Retail	0	\$13,110	\$13,110	3.8%
Total	\$157,618	\$186,103	\$343,721	100.0%

Table 20**Annual Estimated Employment Impacts (FTE Jobs)**

Category	Direct Employment	Indirect and Induced Impacts	Total	Percent of Total
Fair Organization	5	5	10	100.0%
Commercial Exhibitors	0	0	0	0.0%
Food and Beverage	0	0	0	0.0%
Carnival	0	0	0	0.0%
Entertainers	0	0	0	0.0%
Nonprofit	0	0	0	0.0%
Offsite Hotel, Dining, Retail	0	0	0	0.0%
Total	5	5	10	100.0%

Table 21**Annual Estimated Tax Impacts**

Category	Direct Taxes	Indirect and Induced Tax Impacts	Total
Local Sales Tax	\$5,798	\$3,161	\$8,959
Transient Occupancy	\$2,072	0	\$2,072
Possessory and Other	\$353	0	\$353
Total	\$8,223	\$3,161	\$11,384

Future Impacts

Impact of the San Fernando Valley Fair in future years is ultimately tied to the scale of the fair. With the primary impacts being generated by attendee and fair organization spending, impacts for future years may be estimated from values based on these indicators. Two reliable measures are total attendance and total operating expenditures.

Based on this analysis, and giving these two factors equal weight, the formulas for estimating impacts of the fair organization in future years are as follows:

- **Spending** – Fair attendance times \$30.07 plus total fair organization operating expenditures times \$2.39.
- **Income** – Fair attendance times \$7.76 plus total fair organization operating expenditures times \$0.62.
- **Employment** – Fair attendance times 0.00022 plus total fair organization operating expenditures times 0.00002.

The following two tables present examples for calculating future impacts. Formulas presented in this section may be used to estimate future economic impacts of the San Fernando Valley Fair by substituting estimates of fair attendance and fair organization operating expenditures. Note that total economic impacts presented in Table 18 are replicated by applying the formulas below.

Table 23 shows a hypothetical example if total attendance were 40,000 and total operating expenditures were \$400,000.

Table 22

Impact Calculation – Illustrative Example 2002

	Fair Attendance	Operating Expenditures	Total Impact Estimate
2002 Value	22,150 (A)	\$278,786 (B)	
Spending Factor	\$30.07 (C)	\$2.39 (D)	
Spending Impact	\$666,090 (AxC)	\$666,090 (BxD)	\$1,332,181
Income Factor	\$7.76 (E)	\$0.62 (F)	
Income Impact	\$171,860 (Ax E)	\$171,860 (BxF)	\$343,721
Employment Factor	0.00022 (G)	0.00002 (H)	
Employment Impact	5 (AxG)	5 (BxH)	10

Table 23**Impact Calculation – Illustrative Example, Hypothetical Future Year**

	Fair Attendance	Operating Expenditures	Total Impact Estimate/1
Future Value	40,000 (A)	\$400,000 (B)	
Spending Factor	\$30.07 (C)	\$2.39 (D)	
Spending Impact	\$1,202,872 (AxC)	\$955,701 (BxD)	\$2,158,573
Income Factor	\$7.76 (E)	\$0.6212 (F)	
Income Impact	\$310,357 (AxE)	\$246,584 (BxF)	\$556,941
Employment Factor	0.00022 (G)	0.00002 (H)	
Employment Impact	9 (AxG)	7 (BxH)	16

1/ If impacts are estimated over a future period in which inflation has been a significant factor relative to 2002, the spending factor and income factors applied to attendance (\$30.07 and 7.76, respectively) should be adjusted upward proportionally by the percentage increase in the consumer price index. The employment factor applied to operating expenditures (0.00002) should be adjusted downward proportionally by the same percentage.

SOCIAL AND CULTURAL IMPACTS: GIVING BACK

Nonprofit fundraising activities at the fairgrounds raised \$60,848 in 2002. Beyond the economic impacts, this section highlights quantitative social benefits of the fair through funds raised for charities and nonprofit organizations.

Social and Cultural Exhibits

In a random survey of attendees, guests were asked whether or not they saw worthwhile exhibits and if they attended exhibits that informed them about valuable public or community services. Notably, 95 percent of those surveyed agreed that the fair provided worthwhile community benefits.

Attendees were also asked about their viewpoints regarding the social and cultural desirability of fair exhibits. Views on the most worthwhile attractions were fairly evenly distributed across various types of exhibits, as shown in Table 24.

Table 24

Attendee Viewpoints Regarding Exhibits

Attended Worthwhile Exhibits That...	Yes	No	Uncertain
Provided a venue for getting together with family and friends?	88.0%	10.2%	1.8%
Provided other instructional or educational value?	70.2%	22.5%	7.3%
Displayed artwork?	82.9%	12.3%	4.8%
Increased awareness of cultural activities in community?	59.2%	32.1%	8.7%
Provided information about public or community services?	71.3%	21.4%	7.3%
Increased awareness of charitable organizations?	54.1%	35.5%	10.4%

Nonprofit Fundraising

The fair is a major venue for local community groups and nonprofit organizations to raise money and awareness of their programs. The community groups and nonprofit organizations groups then direct this money back into the local community by funding scholarships, educational programs and club activities.

- In 2002, nonprofit groups at the fairgrounds raised a total of \$60,848 through the fair's Junior livestock auction.

Conclusion

The economic and social impacts presented in this report demonstrate that the San Fernando Valley Fair is an economic and social gold mine for residents of Los Angeles County.

ⁱ For a detailed discussion of the methodology employed in this study, refer to Appendix B of *Fairs: Exploring a California Gold Mine*. One specific analytical limitation should be recognized from the start. Only those portions of horse racing, satellite wagering, and businesses that operate on the fairgrounds that could be traced through the fair organization's budget were quantified. Had these special characteristics of the fair industry been within the scope of the study, the overall impact of the fair would have been greater.

ⁱⁱ The term "ripple effects," as used throughout this report, refers to direct spending of fair industry participants along with estimated additional indirect and induced spending using the economic impact model. Indirect impacts are those second and later rounds of business spending that occur throughout the supply chain. Induced impacts are a result of personal consumption expenditures by employees of fair organizations and suppliers. Total impacts are the sum of direct, indirect and induced impacts.

ⁱⁱⁱ Additional details relating to total economic impacts of fair-related businesses are presented under *Economic Impacts: At the Assayer's Office*.